



**Director of
Central
Intelligence**

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OCPAS/CIG

CY# 285

National Intelligence Daily

*Tuesday
5 July 1983*

~~**Top Secret**~~

CPAS NID 83-156JX

5 July 1983

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NICARAGUA: Fighting on Two Fronts

A spokesman for Eden Pastora claims that his forces have seized San Juan del Norte on the Costa Rican border, [REDACTED]

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Pastora is quoted as saying 60 Cuban troops were among reinforcements sent by the Sandinistas during three days of fighting around the town. [REDACTED]

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[REDACTED] The Foreign Ministry has stated publicly that Pastora's attack was launched from Costa Rica and that the Costa Rican Government had to have known of the raid beforehand.

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Comment: The situation at San Juan del Norte remains unclear. There is no confirmation that Cuban troops were involved in the fighting there. The Sandinistas, by implying that the Costa Ricans were aware of Pastora's plans, are setting the stage for future diplomatic protests and pressure against San Jose. [REDACTED]

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The Honduran measures in the border area are intended to protect the local inhabitants and to show Managua that Honduras will not be intimidated. If Sandinista troops interfere with Honduran operations to clear mines, the outnumbered Hondurans probably will retaliate with sniper and artillery fire. Neither side, however, is likely to try a major attack. [REDACTED]

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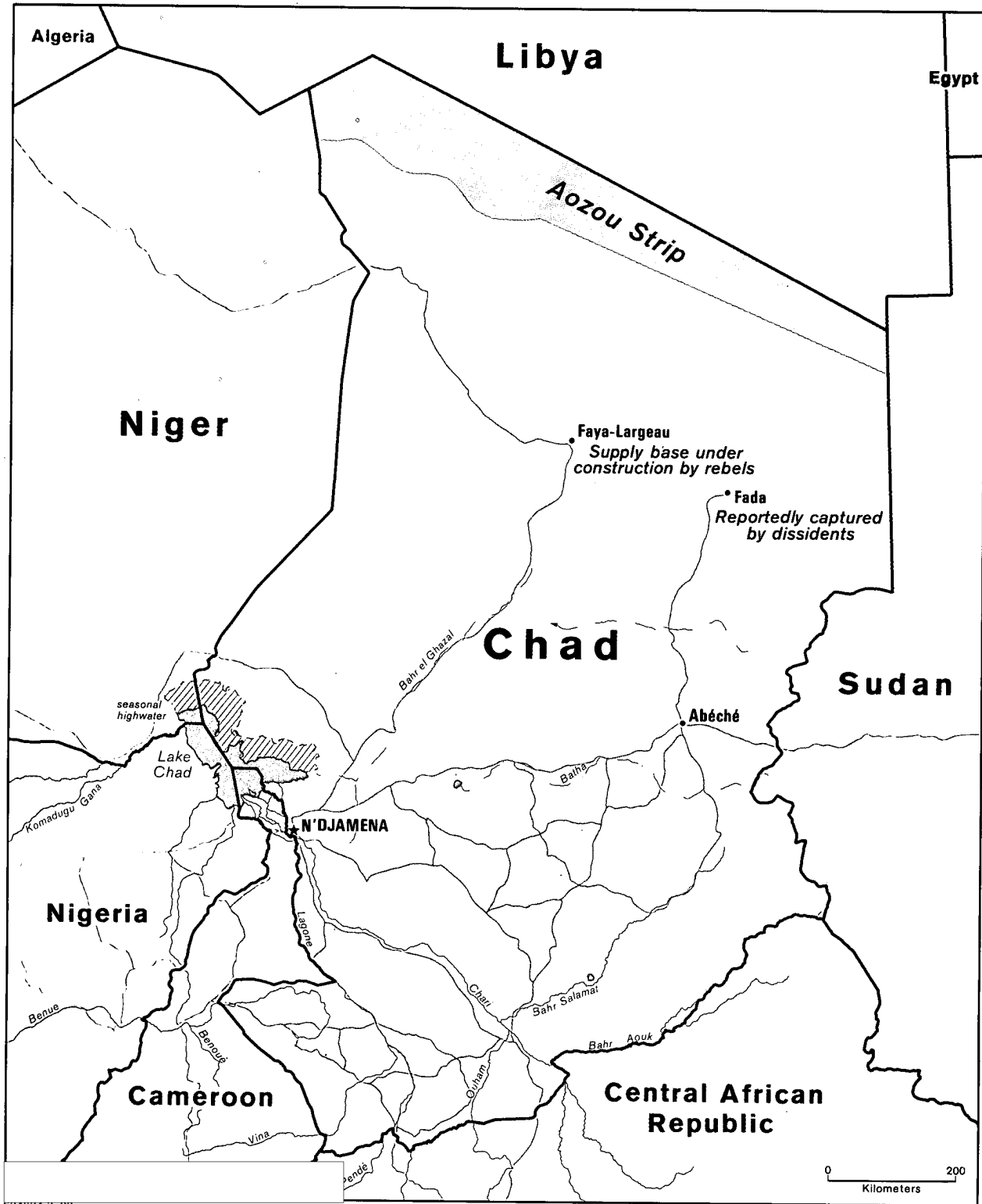
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CHAD: Dissidents Maintain Military Pressure

Government troops continue to face a serious threat from Libyan-backed dissident forces in the north, despite the infusion of French aid. [redacted]

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Meanwhile, a Zairian paratrooper unit and three light attack aircraft arrived on Saturday in N'Djamena. On the same day, Habre and Nigerian President Shagari met and agreed to end the hostilities at Lake Chad and to open the Nigerian border next Monday. [redacted]

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Comment: Despite French and Zairian military aid, the government's situation in the north is precarious. If the dissidents have taken Fada, they will have moved closer to Abeche, Habre's former safehaven and outlet to refuge in Sudan. Another advance also could erode further the confidence of southern soldiers in the President's leadership. [redacted]

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Nevertheless, the arrival of badly needed military assistance and the reopening of the Nigerian border to ease supply problems have probably improved the morale of government forces. The impending start of the rainy season also could bog down the dissident offensive and allow Habre more time to reorganize and resupply his troops. [redacted]

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NATO: Disagreements Over Poland

The Allies are divided over whether to approach the Polish Government this month to encourage steps toward lifting martial law.

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NATO representatives today will discuss a US proposal for national demarches to promote the release of political detainees in exchange for Western consideration of Polish debt rescheduling. The UK, West Germany, and Italy have supported US arguments for quick action to give Warsaw time to declare an amnesty before Poland's creditors meet on 25 July. West Germany proposed on Wednesday that the EC send a "signal" to the Poles expressing satisfaction with the Pope's visit and noting that a complete lifting of martial law would lead to a positive response from Western Europe.

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France, however, opposes Western approaches to Poland at this time. Paris argues that the initiative for improved relations has to come from Warsaw. It has urged Western governments to await Polish action before deciding about a demarche.

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Comment: Most of the Allies are likely to oppose an explicit link between prisoner release and debt rescheduling.

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France probably will not make any demarche that hints of debt rescheduling. Paris is likely to have concluded that Warsaw is unwilling to make more than cosmetic changes in martial law in the near term. In addition, France's hardline position toward Poland allows President Mitterrand to demonstrate firmness toward the East and independence of the US.

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EGYPT: Mubarak's Standing

Widespread doubt persists in Egypt about President Mubarak's ability to resolve urgent economic problems and other domestic complaints. [redacted]

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The government is trying to show that its economic policies are working by publicizing favorable statistics, including the growth in construction and services. The US Embassy believes that such publicity may slightly increase support for Mubarak among educated Egyptians but that it will remain credible only if there is clear evidence of sustained improvement. [redacted]

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Dissatisfaction with the domestic situation is prompting rumors that Mubarak will overhaul his cabinet after Ramadan ends in the middle of this month. One senior minister has suggested to US officials that Prime Minister Muhi al-Din will be replaced. [redacted]

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Comment: Mubarak has been careful to avoid missteps, and there is no obvious alternative to his leadership. Although the President is criticized for inaction, his cautious policies have prevented his opponents from exploiting specific issues. [redacted]

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Egypt has weathered the global recession and the decline in oil prices better than most Third World countries, but a deteriorating foreign exchange situation threatens to force the government into unpopular decisions later this year. Patience with Mubarak could evaporate quickly if he imposes tough austerity measures. [redacted]

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CANADA: Naval Modernization

The government announced on Thursday an order for six ASW frigates—which will be built in Canada—as the first step in a program to replace the current force of obsolescent frigates and destroyers.

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The government also announced plans to modernize four currently operational destroyers and to consider an order for six additional frigates later this year. The first of the new ships is scheduled to enter service in 1989—four years later than originally planned—with the program to be completed by 1992 at a cost of about \$3 billion.

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Comment: The frigate program was approved in principle in the late 1970s, but it has had a low priority among major equipment purchases. Canada's current fleet of 20 frigates and destroyers averages more than 20 years of age. Obsolete weapon systems and maintenance problems make it increasingly difficult for the Maritime Command to meet both NATO and national obligations.

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The government approaches major defense programs primarily with an eye toward domestic economic benefits and avoiding criticism from NATO Allies. The frigate program will be an important source of jobs in areas hit hard by unemployment. On the other hand, building the ships in Canada will make them much more expensive than comparable ships produced in countries with established naval shipyards.

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The prospect of mounting costs probably will deter Ottawa from fully funding the remainder of the program, which calls for an additional 14 new ships by the late 1990s. In 1977 the first six ships originally were expected to cost about \$1 billion, but by 1992 the cost could exceed \$4 billion.

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WARSAW PACT: Manpower Problems and MBFR

Tighter supplies of manpower in East Germany, Czechoslovakia, and Poland—all of which participate in the MBFR negotiations—are likely to hamper the growth of military forces into the next decade.

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Military forces in Poland and East Germany increased in size during the late 1960s and early 1970s. Limited growth was achieved in Czechoslovakia. All three countries, however, are facing future declines in the numbers of available conscripts.

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Comment: By the early 1990s, the annual supply of East German youths eligible for the draft apparently will fall below the probable number of conscripts needed.

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In Poland and Czechoslovakia, manpower pools should remain generally adequate to meet military manpower needs. An increasing percentage of draft-age youths, however, will have to be conscripted through the end of this decade.

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These countries may have told Moscow that they would support an MBFR agreement that would help alleviate their manpower problems. Even with an agreement, however, East Germany would still need to make greater use of reservists and might be forced to extend the basic term of service. Reductions resulting from an MBFR agreement would be helpful to Poland and Czechoslovakia, provided they were made in time to compensate for shortages between now and the early 1990s.

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USSR-WEST GERMANY: Meeting of Leaders Delayed

The decision by Soviet officials yesterday to cancel without explanation the first round of talks scheduled between General Secretary Andropov and West German Chancellor Kohl probably is due to the Soviet leader's continuing cardiovascular problems. Andropov is reputed to have some physical ailments and to require periodic bed rest. Kohl is making a four-day visit to the USSR that ends Thursday. [REDACTED]

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Comment: Andropov may be able to meet with Kohl as scheduled today. [REDACTED]

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PANAMA-CENTRAL AMERICA: Tougher Regional Policies

Panamanian National Guard Commander Paredes has publicly warned Cuba and Nicaragua that failure to moderate their involvement in Central America could cause Panama to break relations with them. Paredes made the policy pronouncement last week during a private visit to Costa Rica, where he met with President Monge. He also repeated the National Guard's earlier promise to defend Costa Rica if it is attacked. The US Embassy believes that the Guard's general staff supports Paredes's remarks and that they also probably were intended for Panamanian and US domestic consumption. [REDACTED]

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Comment: The warning by Paredes reflects the Guard's increased concern about regional tensions and could portend a substantial toughening of Panama's policies in the area. The Guard believes that these tensions will have a serious effect on Panama's own stability—including possible subversion—if left unresolved. Paredes also probably hopes that the stronger anti-Communist line will improve his standing at home and with Washington, whose support he regards as key to his planned presidential candidacy later this year. [REDACTED]

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USSR-CHINA: Soviet Official To Visit Beijing

Soviet Deputy Foreign Minister Kapitsa, a Far East specialist, will visit Beijing next month as a guest of the Chinese Government rather than of the Soviet Ambassador, as in previous years. A visit planned for May was postponed at China's request during a period of polemical exchanges. Meanwhile, two Chinese "friendship delegations" are in Moscow at the USSR's invitation. [REDACTED]

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Comment: The invitation of Kapitsa probably is intended to balance Foreign Minister Wu Xueqian's coming visit to the US. China also wants to prevent the Soviets from portraying it as the intransigent in the bilateral talks. The presence of the friendship delegations—the first in several years—indicates China's willingness to cultivate people-to-people ties while pursuing a normalization of relations. [REDACTED]

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IRAN-LIBYA: Strained Relations

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Comment: The competition between Qadhafi and Khomeini for Islamic leadership and Iran's belief that Libya was responsible for the disappearance of a leading Lebanese Shia cleric in 1978 underlie the persistent tension in bilateral ties. Moreover, Iranian and Libyan representatives are often arrogant and emotional in their exchanges. Both countries' interests in military trade and in countering US and Israeli activity in the region, however, make a serious deterioration in relations unlikely.

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Special Analysis

PAKISTAN: Zia's Regime After Six Years

President Zia is considering political reforms that could end six years of martial law, but any moves in that direction probably will be cautious and largely cosmetic. Over the past year, Zia's position appears to have been strengthened as a result of limited—but fragile—prosperity, confusion among his opponents, foreign policy successes, and continuing public concern about the Soviet threat from Afghanistan. Nonetheless, the President still depends on the military. The Army would be likely to replace him quickly if serious domestic disturbances were to develop out of an economic downturn, the Afghan refugee problem, or sectarian unrest.

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Zia has never been a popular leader, but his recent successes have won him growing respect at home. he increasingly is seen as a leader who will be in charge for the foreseeable future. Although most Pakistanis would prefer a return to civilian rule, they also are concerned that India or the Soviets in Afghanistan would exploit any violence by the opposition.

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The well-disciplined Army supports the regime.

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Morale in the armed forces has improved during the past year as new US equipment has begun to arrive.

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Zia is given credit for Islamabad's ability to gain substantial arms and economic aid from the US and at the same time engage both Moscow and New Delhi in diplomatic dialogues that work to reduce pressure on Pakistan. His effort to improve relations with India has broad support.

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The Opposition

The Movement for the Restoration of Democracy, a loose coalition of opposition political parties, is planning to begin a countrywide civil disobedience movement on 14 August—Independence Day—with the aim of forcing Zia to honor the Constitution of 1973 and hold national elections. The decision to confront Zia, however, has widened old fissures in the group. Most Pakistanis expect this effort will be just one more unsuccessful attempt.

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Without a public ground swell against the regime, neither the Movement nor its most important constituent—the Pakistan People's Party—can hope to make major gains. The People's Party retains the loyalty of the rural and urban poor, but, except at the polls, it lacks the organization to mobilize this support. Personal and ideological disputes continue to plague the party, and many of its best known leaders are abroad, underground, or have been quietly co-opted by the government. [REDACTED]

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Zia has promised to make public a framework for Islamic government on 14 August. [REDACTED]

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Zia probably has not yet decided precisely what steps he will take. He will be likely to continue, however, to defer national elections until he and the generals are sure the results will not threaten their position or preferred foreign and domestic policies. [REDACTED]

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External Pressures

The 2.8 million Afghan refugees in Pakistan are a growing political concern that could be exploited by the opposition. Some Army officers worry that the well-armed refugees will become a permanent force in domestic politics. Most Pakistanis recognize that a political settlement involving a Soviet withdrawal from Afghanistan is the only way to send them home. [REDACTED]

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The USSR has used a mix of tactics to put pressure on Islamabad to accommodate Soviet aims in Afghanistan. [REDACTED]

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Moscow may recognize that past pressure on Islamabad only strengthened public support for Zia. The Pakistanis apparently have succeeded in containing intertribal violence and in arresting Afghan agents. [REDACTED]

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Islamabad sees the UN-sponsored indirect talks on Afghanistan as a way of maintaining international backing for its position and relieving domestic concerns. Zia and the generals believe they have no alternative but to test the USSR's intentions. [REDACTED]

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There are no indications that Islamabad has softened its stand on Afghanistan. The Pakistanis know that the Afghan refugees will not return unless Soviet troops are withdrawn. [REDACTED]

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Prospects

For now, the regime appears to be firmly in control. The leadership probably will remain for at least the next one or two years, barring Zia's death, a major blunder by the President, or an economic downturn. The opposition lacks effective leadership, a realistic program, and public support. [REDACTED]

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Zia, however, remains dependent on the Army. Two regimes have been overturned in the past 15 years by unanticipated opposition movements, and the Army would be willing to sacrifice Zia if widespread unrest broke out. In such an event, the Army would move to protect its interests and favored policies by installing another of its number. [REDACTED]

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